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SUMMARY FOR THE CABINET:

STRATEGIC TRADE POLICY FRAMEWORK 2012-15

GOVERNMENT OF PAKISTAN

MINISTRY OF COMMERCE

No. 2(8)/2012-AC (TP)
Government of Pakistan
Ministry of Commerce

SUMMARY FOR THE CABINET

Subject: **APPROVAL OF STRATEGIC TRADE POLICY FRAMEWORK 2012-2015 (STPF-2012-15)**

I. Background:

Improving upon the practice of formulating Trade Policy on annual basis, the present government adopted a three (03) years (2009-12) integrated Strategic Trade Policy Framework (2009-12) to enhance Pakistan's export competitiveness over the medium term, which still remains relevant. STPF 2009-12 had two major parts i.e., regulatory amendments and export development initiatives. All regulatory amendments were implemented during 2009-12. However, export development initiatives could be implemented only partially due to inadequate allocation of funds.

2. Performance of export sector of Pakistan during outgoing policy cycle of Strategic Trade Policy Framework 2009-12 has been satisfactory. Our exports which stood at US$ 17.69 Billion in 2008-09, at the time of adoption of STPF 2009-12, grew to US$ 23.64 Billion in 2011-12.

3. Strategic Trade Policy Framework 2012-15 has been prepared after consultations with all the stakeholders, spread over six months. Ministry of Commerce made a presentation on STPF 2012-15 to the Prime Minister on 28th August 2012. While appreciating the Ministry of Commerce efforts to increase exports, the Prime Minister advised to fine tune the proposals with the Finance Division and Planning Commission.

4. In pursuance of Prime Minister's directive, detailed discussions were held with the Finance Division and Planning Commission, and, as suggested by them, the focus on development of Domestic Commerce has been introduced and the resource requirement for Export Development Initiatives has been significantly reduced. A revised presentation on STPF 2012-15 was given to the Prime Minister on 21-12-2012 in the presence of representatives of all the relevant stakeholders. The Prime Minister gave in principle approval of the STPF 2012-15 and the allocation of Rs. 4.995 billion for the first year (2012-13) and Rs. 26.108 billion for three years (2012-15) and directed the Ministry of Commerce for submission of summary on STPF (2012-15)to the Federal Cabinet for formal approval.

II. Trade Review

5. Exports rose by 27% to US$ 24.8 Billion in 2010-11. However, they fell by 4.7% in 2011-12 due to:

a. Exogenous factors – global demand shrinkage, reduced cotton prices and global financial crisis
b. Domestic Factors – Power shortages/outages, high financing cost, security situation and erosion of competitiveness.

6. In 2011-12, textile accounted for value US$ 12.4 Billion as compared to US$ 13.8 Billion in 2010-11. In 2010-11 it was 55.6% of total exports. It may therefore be seen that lower exports in 2011-12 were due to reduced level of exports of textiles while the non-textile sector exports experienced a slight increase. Detailed export statistics for 2009-12 is at **(Annex-I)**.

7. Pakistan's imports grew from US$ 34.7 Billion in 2009-10 to US$ 44.9 Billion in 2011-12 Increase in world oil prices impacted Pakistan's import bill and there is no way escaping it unless our power generation shifts to alternate energy sources. Petroleum remained the single largest import group and constituted 34% of total imports in 2011-12. Increase in value of imports reflects higher Oil prices in the international market and importation of higher volumes of oil were made due to shortage of gas. Similarly, import of palm oil increased by 17.5% in 2011-12 and reached at US$ 2.4 Billion against US$ 2.0 Billion imported in 2010-11. Higher prices of food commodities have also contributed to higher food import bill. Detailed import statistics for 2009-12 is at **(Annex-II)**.

III. STRATEGIC TRADE POLICY FRAMEWORK 2012-2015.

8. In view of the prevalent challenges, Ministry of Commerce has completed the work on Draft STPF 2012-2015 being presented to the Cabinet. Its successful implementation would build upon the foundations provided by STPF 2009-12; its prime objective is to enable Pakistani firms to produce and export a more sophisticated and diversified range of products to existing and as well as new markets and helps reduce unemployment and poverty in Pakistan.

IV. Goals of STPF 2012-15

9. Main goals of STPF 2012-15 are:-

i. Make export sector as an engine of growth
ii. Enhance Pakistan's export competitiveness in short as well as long term
iii. Increase Pakistan's cumulative exports to $ 95 billion during 2012-15

V. PRINCIPAL ELEMENTS OF STPF 2012-2015

10. Proposed Elements of STPF 2012-15 purport to strengthen different aspects of Pakistan's export competitiveness directly or indirectly. These elements have been identified on the basis of an evaluation of STPF 2009-2012 and an analysis of emerging global trade scenario after extensive consultations with the private sector and other government departments. The following are the principal elements of STPF 2012-2015:-

i. Focus on Regional Trade
ii. Create Regulatory Efficiencies
iii. Promote Agro-processed exports
iv. Increase Exports from less developed Regions of Pakistan
v. Promote exports of Services Sector
vi. Enhance access to export financing and credit guarantees
vii. Revamp Export Promotion Agencies
viii. Mobilize new investment in export oriented industries
ix. Facilitate Exporting industry overcome energy crisis
x. Enhance Product and Market Development and Diversification
xi. Undertake effective Trade Diplomacy
xii. Increasing Green Exports

xiii. Rationalize the Tariff Protection Policy
xiv. Enhance Role of Women in Exports
xv. Reform and Develop Domestic Commerce

VI. PROPOSED MEASURES

11. The measures to achieve STPF 2012-15 goals are divided into four categories:

a. Institutional Strengthening and Governance
b. Measures to enhance Export competitiveness
c. Regulatory amendments in the trade regulations
d. Payment of Outstanding EDF dues and streamlining EDF releases in future

a. INSTITUTIONAL STRENGTHENING AND GOVERNANCE

Rationalizing Tariff Protection Policy (TPP):

12. Unhindered tariff protections, maintained over a period of time can create dependencies and distortions sacrificing competitiveness and consumer welfare. Ministry of Commerce, proposes to adopt the following guiding principles, to create a competitive environment that caters for the dual aspects of providing a level playing field for the domestic industry as well as consumer welfare:-

i. Promoting competitive markets in Pakistan.
ii. Ensuring conformity to international agreements and practices.
iii. Promote domestic and foreign investment.
iv. Create level playing field for Pakistani firms in international as well as domestic markets.
v. Due consideration to consumer welfare.
vi. Catering to the changing needs of Pakistan's economy.
vii. Create an enabling environment to pursue the legitimate goal of Industrialization in Pakistan.

Domestic Commerce Reform and Development

13. In Pakistan, domestic commerce is not very well connected to international trade. Traditionally, Trade Development Authority of Pakistan (TDAP) staffed by the officers of Commerce & Trade Group, takes care of the supply side and domestic commerce issues impacting upon Pakistan's international trade. TDAP used to have functioning Export Facilitation Committees dealing with trade related Federal and Provincial authorities, which is no more the case now. With the devolution of Ministries after 18th Amendment, weak linkages between Domestic Commerce and International trade can seriously undermine Pakistan's export competitiveness in the coming years. Recognizing this linkage and lack of any institutional arrangement to pursue the objective of promoting domestic commerce, it is proposed to:-

i. Make the following insertion in Rules of Business 1973 as one of the functions of Ministry of Commerce 'Domestic Commerce Reform and Development in collaboration with other Ministries, provincial and local government'; and
ii. Create a Domestic Commerce set up in the Ministry of Commerce comprising of two wings i.e., Domestic Commerce Wing and Trade in Services Wing. This will be headed by a BS-21 officer and assisted by two BS-20 officers, four

BS-19 officers and eight BS-18 officers and all these posts shall be encadred for Commerce and Trade Group, given the technical nature of the challenge.

iii. The Ministry of Commerce would ensure that the officers concerned establish a strong base of domestic commerce reform with the help of extended stay at the Ministry.

The new set up will

a. Establish necessary institutional mechanism and business processes
b. Introduce or leverage the introduction of necessary Domestic Commerce regulations such as the wholesale/retail market

c. framework, insolvency/bankruptcy regulations, framework for construction services and framework of interface of government agencies with business community, framework for coordination between different tiers of government in post 18th Amendment scenario etc.
d. Bring out annual State of Domestic Commerce Report.
e. Will anchor the re-organized Export facilitation Committees of TDAP at the federal level.

iv. Set up an Inter-governmental Domestic Commerce Reform and Development Committee, including senior level representation from the provincial governments, in consultation with all the stakeholders. The newly created Domestic Commerce Wing would act as a Secretariat to the Committee.

v. The major responsibilities of the Committee would be to oversee the introduction of necessary laws and regulations and institutional arrangements to develop Domestic Commerce in Pakistan and strengthen the linkages of Domestic Commerce with Pakistan's international trade.

Establishment of Pakistan Land Port Authority (PLPA) to Strengthen Regional Trade

14. Trade integration with South Asia, China and the ECO countries is proposed to be accorded high priority with the objective to develop mutually beneficial regional production and trade networks. Our border land ports lack world class trade facilities. In order to transform our land ports into efficient facilitators of trade while simultaneously be responsive to risks such as security issues, smuggling, human trafficking etc. it is proposed to establish Pakistan Land Port Authority of (PLPA) with the following mandate:

a) It is envisaged to function as a statutory body, under the administrative control of the Ministry of Interior with representation from the FBR, M/o Foreign Affairs, M/o Commerce, M/o Communications, M/o Railways, M/o Planning & Development Division, M/o Food Security & Livestock, M/o Science & Technology and M/o Anti Narcotics as well as representation from the respective provincial government.

b) It would be responsible for cohesive management of cross-border movement of goods & people. It would be vested with powers on the lines of similar bodies like existing Port Authorities and Civil Aviation

c) With the coming into being of Pakistan Land Port Authority, the land port entry points would be transformed into Integrated Check Points to enable smooth cross-border movement of individuals, vehicles and goods under an

integrated complex. This would facilitate the processes of immigration, customs, security, quarantine, etc. To enable this, the present infrastructural facilities would be up-graded wherever needed. The spadework to establish PLPA would be carried out by a 'Set up Committee' to be headed by Secretary Ministry of Commerce in close collaboration of other Ministries.

Setting Up of EXIM Bank

15. Availability of capital to meet an export order is the most important element of the export cycle as it directly impacts an exporter's competitiveness. Therefore, governments involve themselves in ensuring that adequate, cheap, timely trade financing is available to exporters. Trade financing facilities and support is given by the governments through EXIM Bank and Export Credit Guarantees institutions. Unfortunately, Pakistan is one of the rare countries, which has none of it. Pakistan's exporters desperately need legitimate trade financing support as they are facing serious challenges such as (i) Crowding out of private sector from debt market, (ii) High interest rates and limited availability of financing for export or investment in export oriented manufacturing. (iii) Very little credit risk coverage. (v) Very little incentive to the importer to import from Pakistan as compared to other competitors. The proposed EXIM Bank, with the help of provincial governments, would not only provide export credit, it would also provide supplier's credit and export credit guarantees. It will help reduce cost of borrowing for the export sector on long term basis and help reduce their risks.

Estimated cost: Seed money Rs 1 Billion for the year 2012-13 and Rs 5 Billion for 3 years i.e. 2012-15

Promotion of Services Sector Exports

16. Services sector contributes 54% to the economy but export of services of Pakistan is very low. Our services exports stood at $5 Billion in 2011-12 whereas the global trade in services was $18.2 Trillion. To tap the enormous potential of export of services, especially to Asia, it is proposed:-

i. to create a Foreign Trade Wing for Services in the Ministry of Commerce
ii. to establish the Services Trade Development Council
iii. to set up a special task force for facilitating development of E-Commerce

Creating Regulatory Efficiencies

17. Lesser but smarter regulations are necessary for promotion of international trade therefore it is proposed to

i. Strengthen National Tariff Commission so that it can play its role more effectively and efficiently.

ii. Creation of Resource Management Unit by strengthening of International Trade Organization Wing (ITO) at the Ministry of Commerce.

iii. Ineffective mechanism for resolution of trade disputes has tarnished Pakistan's image amongst the international business circles and it discourages emergence of Pakistan both as a destination for investment as well as a reliable import source. In order to make the system effective, it is proposed to revamp the existing system of international trade dispute resolution. It is proposed to constitute a committee with

Secretariat in Ministry of Commerce and members from TDAP, FPCCI/Chambers, Law Justice & Human Rights Division, Secretary Law and Justice Commission of Pakistan, representatives from Karachi Dispute Resolution Centre (KDRC) to propose an action plan for setting up an International Trade Dispute Arbitration Council and revamp the existing Commercial Courts to give the country a more efficient, time saving, relatively inexpensive mechanism for trade dispute resolution. The committee would be required to give their recommendation within three months which will be placed before the Cabinet, for its approval.

Strengthening of Training and Product Development Institutes

18. The training and product development Institutes, running under MOC/TDAP, are proposed to be strengthened after carrying out detailed 'entity improvement diagnostic'. This would help these institutions produce better quality human resource and designs for our industry.

Revamping Export Promotion Agencies & Trade Monitoring Committee

19. Export promotion needs strong performance by a country's Export Promotion Agencies [EPAs]. EPAs in Pakistan are under-resourced and not tuned to modern challenges of export promotion.

Ministry proposes to:

i. Overhaul Trade Offices Abroad by providing both financial and improved human resource after carrying out a performance analysis. This will be done in the following way:-

a) Creation of Export Promotion Wing in the Ministry of Commerce within available resources to provide a mechanism to monitor the performance of Trade Officers and address their problems

b) Through the Export Promotion Wing, Ministry is instituting a system of annual performance evaluation, having both qualitative and quantitative aspects with the possibility of recalling 3 lowest performing Trade Officers.

c) Trade Officer and local based Trade Development Officer (TDO) would spend 15 days in Pakistan to work closely with supply side institutions and exporting firms.

d) Performance Evaluation Report of Trade Officer would be jointly initiated by the Ambassador and regional trade officer and countersigned by Secretary TDAP and second countersigning by Secretary Commerce. In countries where there is a single trade officer, the PER would be initiated by an overall regional trade office which is proposed to be established to complement the regional dimension.

e) Regional dimension would be added to the functions of Trade officers

f) The work place environment of Trade Officers would be improved

g) Trade Officers manual would be updated providing detailed job description and ToR's and complete work plan for Trade Officers including Annual Plan, Reporting requirements etc.

ii) Realizing that Trade offices abroad do not work in isolation as their performance also depends on the performance of the institutions like TDAP, Pakistan

Horticulture Development and Export Company (PHDEC) The Ministry proposes to develop and implement an Entity improvement plan for both the organizations.

Trade Committee:

20. A high level 'Trade Committee' is also proposed to be constituted under the chairmanship of Commerce Minister ,with Export wing in the Ministry of Commerce as its secretariat, with the involvement of relevant government Ministries/departments, Senior Businessmen, Academia etc

- TC should meet at least on a quarterly basis
- TC would monitor implementation of STPF 2012-15 to remove bottlenecks in achieving desired export targets
- TC would examine issues for promoting Pakistan's foreign trade and strengthen international competitiveness

b. EXPORT COMPETITIVENESS DEVELOPMENT MEASURES

21. Ministry of Commerce is presenting export development initiatives to address deficient areas in Pakistan's export competitiveness. It may be noted that in line with the suggestion of Ministry of Finance, Ministry of Commerce has revisited the proposed promotional schemes and has revised the resource requirement downwards to Rs. 26.108 Billion for the next three years and Rs. 4.995 Billion for the year 2012-13, as compared to the earlier demand for Rs. 60 Billion for three years and Rs. 16 Billion for the year 2012-13 respectively.

Mark-up support of 2% on prevailing LTFF for future import/purchase of machinery.

22. Long Term Financing Facility (LTFF) of State Bank of Pakistan is aimed at providing relatively concessional financing to manufacturer cum exporters to increase their production capacity. However, investment in export oriented manufacturing activities has still been dwindling in the recent past due to multiple supply side constraints.

23. In order to encourage fresh investments in export oriented industries in a tough economic environment, it is proposed to provide mark up support to selected sectors by making available LTFF at 2 % lower than the prevailing rates. The eligible sectors would be as follows: Leather, Engineering, Horticulture, Processed Food, Marble & Granite, Sports Goods and Computer related services.

Estimated cost: Rs 500 Million for the year 2012-13 and Rs 3 Billion for 3 years i.e. 2012-15

Mark-up Rate support of 1.5% on Export Finance Scheme (EFS) to selected export sectors

24. Export Finance Scheme (EFS) is a major scheme by the State Bank of Pakistan for the exporters for provision of running finance. It aims at boosting exports of the country by promoting the value added sector by providing somewhat concessional financing to the exporters. The current markup rates under Export Finance Scheme for the borrower stands at 11% (banks get re-finance from State Bank of Pakistan at 10% and are permitted a maximum spread of 1%).

25. To ease the constraints on running capital, it is proposed to provide a further markup reduction of 1.5 points from the prevailing rates to the following focus sectors: fish and fish preparation, processed foods, meat and meat preparations, sports goods, footwear, leather products, surgical goods, cutlery, onyx products, pharmaceuticals, electric fans, transport equipment and electrical machinery.

Estimated cost: Rs 150 Million for the year 2012-13 and Rs 1.2 Billion for 3 years i.e. 2012-15

Ad-Hoc relief @ 3% of FOB to offset the impact of higher cost of utilities for Pakistani exporters in selected sectors

26. Small exporters in Pakistan have to face the challenge of energy crisis with limited resource. While the bigger exporters may have alternate sources of energy such as captive power plants, the smaller ones have to bear the brunt of load shedding of energy and gas shortages. This significantly adds to their costs and reduces their competitiveness.

27. To offset the increasing cost of utilities, it is proposed that selected non-textile exporting sectors may be provided a ad-hoc relief 3% of FOB, in order to stay in the export business. The proposed sectors are Fish and Fish Preparations, Processed Foods, Meat and meat preparation, , Sports goods, Footwear, Surgical goods/medical instruments, Cutlery, Electric Fans, Auto Parts and Furniture.

Estimated cost: Rs 3 Billion for the year 2012-13 and 14 Billion for 3 years i.e. 2012-15

Marketing Development Assistance for Regional countries

28. Pakistan's trade with regional countries is on the rise. China has become our largest trading partner. Afghanistan has become our second largest export market; Normalization of Trade relations with India is also a major initiative. These developments present both challenges and opportunities for Pakistani exporters. In order to up-scale our market development activities in neighboring markets, including China, India, Afghanistan and Iran this Ministry proposes to undertake different promotional initiatives including market research, support to non-traditional exports, support to marketing efforts of private sector etc. We also intend to encourage trade in Afghanistan against Letters of Credit by providing incentive which will be worked out in consultation with the State Bank of Pakistan.

Estimated cost: Rs. 125 Million for the year 2012-13 and Rs. 2 Billion for 3 years i.e. 2012-2015

Export Promotion campaigns for agro-processed products

29. In order to help our farmers align themselves better with the international market, it would be very useful to educate our farmers on international demand trends and techniques to boost farm level productivity.

30. It is therefore proposed to launch export promotion campaigns with the help of graduates of Agriculture Universities of Faisalabad, Rawalpindi, Peshawar and Tando Jam. Selected students will be trained to reach out to the farmer community and train them in best

agricultural practices needed to bring their produce in conformity with the international standards.

Estimated cost: Rs 5 Million for the year 2012-13 and Rs 25 Million for 3 years i.e. 2012-15

Encouraging the Opening Retail Outlets

31. Opening retail sale outlets in major importing countries is the best tool for introducing and exporting high quality and branded exports of Pakistan. International presence of Pakistani firms at present is very low as compared to our competitors.

32. To support the initiative and to motivate exporters to introduce their finished products, it is proposed to provide subsidy on these outlets upto 75%, 50%, 25% per annum of the rental cost of retail outlets or ware houses in the first, second and third year respectively in the export markets in Asia, Africa and Australia.

Estimated cost: Rs. 50 Million for the year 2012-13 and Rs. 380 Million for 3 years i.e. 2012-15

Subsidizing 50% Cost of Plant and Machinery for Dates and Olive Processing

33. Pakistan is the 4th largest producer with excellent quality of dates in areas of Khairpur, Dhaki, D.I.Khan, D.G. Khan, Turbat, Pungor and Washak. But only 13% of the total produce is exported and that also as a low quality product. Lack of the necessary processing facilities results in the wastage of a large quantities, reducing the income of farmers that in turn cause rural poverty. Similarly, Pakistan can save precious foreign exchange which is now used on the import of editable oil by promoting the production and processing of Olive in KPK, Baluchistan and Gilgit-Baltistan areas.

34. To reduce the wastage of produce, increase income of the farmers and foreign exchange earnings, it is proposed that the government may provide 50% subsidy in the cost of plants and machinery for dates and olive processing.

Subsidizing 50% cost of plant and machinery for establishing processing plants for fruits and vegetables in Gilgit Baltistan (GB)

35. A large amount of fruits and vegetables from GB region is wasted due to lack of processing plants and facilities of fruits and vegetables. This wastage causes reduced income for the people of GB. Due to their long distance from major urban centers, investors shy away from investing in GB. With the expansion of KPK, the value addition of fruits and vegetables has become even a greater imperative.

36. To incentivize establishment of fruits processing plants in GB, it is proposed that government may provide 50% subsidy in the cost of plant and machinery for establishing processing plants for fruits and vegetables in Gilgit Baltistan.

Mark-up subsidy @ 50% of the prevailing mark-up rate, for setting up of Meat processing plants in bordering provinces.

37. Livestock farming has emerged as a major contributor to GDP. Meat and Meat Preparations exports have grown in the last few years and stood at 175 Million USD in 2011-

12. In order to increase processed meat exports from the bordering regions, it is proposed to provide mark-up subsidy @ 50% of the prevailing mark-up rate, for setting up of Meat processing plants in KP, Baluchistan and Gilgit, Baltistan. This initiative will go long way in increasing Meat Preparations exports from the under developed regions of Pakistan and will also create job opportunities in these areas.

Estimated cost: Rs 55 Million for the year 2012-13 and Rs 265 Million for 3 years i.e. 2012-15 for proposals made at paras 34, 36 & 37 above.

Up-gradation of Rice Inspection Labs

38. Rice is one of the major export items of Pakistan. Yet many of our shipments are rejected due to inferior quality of Rice. In order to ensure that only quality rice is exported, it is vital that Labs testing quality of Rice are well equipped and recognized. Currently, the relevant labs are being run and managed jointly by REAP and TDAP and are under equipped, under staffed and un-accredited. There is a need to up-grade these labs and get them accredited with international bodies. This would help establish a mechanism which is transparent, cheap and smooth for rice exports. It will ensure that only quality rice is exported and brand of Pakistan as a quality rice supplier remains intact.

Estimated cost: Rs 5 Million for the year 2012-13 and Rs 30 Million for 3 years i.e. 2012-15

Mark-up subsidy @ 100% of the prevailing mark-up rate and 50 % subsidy for wire saw cutting machinery to reduce wastages for establishing mining and processing in KPK, GB and Baluchistan

39. Mining and quarrying sector represent an important activity in Pakistan's economy, contributing around 0.5% to Pakistan GDP since 1990. At present majority of marble and granite mining is done through primitive mining methods, most commonly by using excessive explosives, which results in huge wastage of this non-renewable resource of the country. It also causes serious environmental degradation. Our inability to modernize our mining methods by adopting machine enabled cutting is one of the major reasons for our lagging behind in the sector and enhance export potential in this field.

40. To control un-scientific and explosive based orthodox mining, it is proposed as under:-

- i. Provide mark-up subsidy @ 100% of the prevailing mark-up rate on the installation of wire saw cutting machines in KPK, GB and Baluchistan.
- ii. 50 % subsidy on the cost of wire saw cutting machinery.
- iii. All such mining concessioners which are not using controlled blasting and are not switching to scientific mining, their mining concessions may be reviewed by Mining and Mineral Departments of the respective provinces in such a way that an 'environmental degradation penalty' is imposed on explosives blasting from 01.07.2015 and a complete ban on their mining is imposed with effect from 01.07.2017.

Estimated Cost: Rs. 10 Million for the year 2012-13 Rs. 90 Million for 3 years i.e. 2012-15.

Strengthening Women Chamber of Commerce

41. The representation of Women in established Chambers of Commerce and Industry is very thin. The government has been encouraging the establishment of Women chambers in the recent past. These Chambers are expected to help them to become successful entrepreneurs. The capacity of these Chambers however is still very limited. There is an urgent need of government support for Women Chambers so that women participation can grow in international business. Ministry proposes to support Women Chambers by strengthening their research and reach out capabilities.

Estimated cost: Rs 7.5 Million for the year 2012-13 and Rs 20 Million for 3 years i.e. 2012-15

Establishment of Leather Export Promotion Council

42. Traditional trade bodies have not been very successful in promoting exports. Ministry of Commerce proposes to establish a model project in leather sector to combine public and private sector in the management of sector specific trade organization to promote export of leather sector, which is the third largest export sector of Pakistan. In future, its success can be replicated in other sectors. It shall help in better and sustained communication between the Government and private sector for promotion of leather exports.
Estimated cost: Rs. 7.5 Million for 2012-13 and Rs. 28 Million for 3 years i.e. 2012-15

Establishment of Services Export Development Council

43. Services sector contributes more than 55% to GDP of Pakistan. However, our services exports were a paltry 5 Billion U$D for the year 2011-12. There is hardly any concentrated effort to boost services exports from Pakistan. This Council shall work as a nucleus for promoting services exports from Pakistan in the years to come. As the Services Sector in most of the cases is labour intensive, a boost in Service export has a great potential to create employment in large numbers.

Estimated cost: Rs. 12 Million for 2012-13 and Rs. 70 Million for 3 years i.e. 2012-15

c. REGULATORY AMENDMENTS IN TRADE REGULATIONS

44. The regulatory amendments being proposed to Import Policy and Export Policy Orders 2009 have been developed after extensive consultation with private sector and consensus development exercise in the form of inter-ministerial meetings. These amendments Would further facilitate Pakistan's trade and contribute to the ease of doing business by simplifying the procedures and strengthening the regulatory processes.

Easing Import of Motorized Wheel Chairs

45. As per current Import Policy Order second hand/used wheel chairs can only be imported by disabled persons directly or through charitable institutions or hospitals when received as donations or gifts subject to submission of certification by numerous government/provincial departments.

46. In order to facilitate disabled persons, it is proposed to allow import of second hand motorized wheel chairs freely by anyone for use by disabled persons.

Import of Ambulances

47. Currently import of second hand/used ambulances is allowed when donated by any organization/individual to a charitable or non-profit organization, trust or hospital provided they fulfill certifiable standards and have minimum ten years of useful life.

48. In order to facilitate much needed import of second hand/used ambulances for hospitals, charitable institutions or other large organizations such as universities etc., it is proposed to allow import of second hand / used ambulances subject to the following conditions:-

i. Certification by the Original Equipment Manufacturers (OEM) that the vehicle was built as an ambulance;
ii. Pre-Shipment inspection from recognized agencies certifying the condition as in (i);
iii. The ambulance should not be older than five years;
iv. Undertaking from the importing institution that the ambulance shall be registered in the name of that institution and shall not be used for any other purpose.

Banning Job Lot/Stock Lot Imports

49. Currently import of job lot and stock lot items, where the custom duty is zero while the raw material attracts duty upto 5%, are permissible for import.

50. These imports not only hurt manufacturers in most cases but also deceive consumers. It is proposed to impose complete ban on import of job lot and stock lot goods.

Implementing Emission Standards

51. As per existing import policy order, specialized vehicle-mounted machinery and transport equipment is allowed in favour of construction, mining companies and petroleum sector companies for use in the projects in Pakistan, subject to condition of Euro-III emission standards compliance. Moreover, vehicles like Prime Movers, Waste disposal trucks, fire fighting vehicles are also allowed subject to Euro-III emission standards compliance. This condition cannot be met as Euro-III compatible fuel is not available in the market. At present, Euro-II compatible fuel is available in the market. Therefore, it is logical to change this condition at import stage from Euro-III compliant vehicles to Euro-II compliant vehicles, up till the time that Euro-III compliant fuel is introduced in the country.

52. It is therefore proposed that the condition of EURO-II may be made applicable on import of all types of specialized vehicles.

Protecting Public Health

53. Currently non-sterilized surgical needles and syringes are importable by industrial units engaged in the further processing of these items into value added, final and finished products.

54. In order to safeguard health of the general public and to ensure that no misuse takes place, it is proposed that only the industrial units registered with relevant public health agency may be allowed to import non-sterilized surgical needles and syringes.

Safeguarding Health and Environment

55. Currently imports in violation of Import Policy Order are confiscated or in some cases released against redemption fine.

56. In order to ensure strict compliance with the provisions of the Import Policy Order and to discourage willful violation by importers, it is proposed as under:-

i. All goods of banned list imported in commercial quantity shall not be released under any circumstances. Such goods should be exported at importer/ shipping lines costs.

ii. Goods on restrictive list which are of sub-standard quality effecting public health including short shelf life medicines/pharmaceutical raw materials/edible products imported in contravention of Import Policy Order should be destroyed within a period of six months without offering any release.

Protection to Local industry and Use of Tyre Scrap as Alternate Fuel

57. Presently, anybody can import rubber scrap of various types subject to the condition that they are cut into pieces. The above facility is misused for import of second hand/used tyres, which is also a safety hazard.

58. In order to save the local tyre industry and to encourage the use of tyre scrap as alternate fuel, the following proposals are submitted:-

i. Import of waste and second hand tyres may be allowed only in "at least two completely cut, detached from each other pieces form" to industrial consumers only subject to fulfillment of environmental requirements of using tyres as a fuel to be prescribed by Federal/Provincial Environmental Authorities.

ii. Other types of rubber waste and scrap may continue to be imported with the same condition of completely cut into pieces.

Ban on Hazardous Plastic Waste / Scrap

59. Currently import of all types of plastic scrap is allowed in favour of manufacturers for their own use subject to submission of certificate from the relevant government agency in the exporting country that the scrap being imported are not hazardous and comply with the provisions of the Basel Convention.

60. In order to ensure that such consignments of plastic scrap do not contain any hazardous scrap, it is proposed to impose complete ban on import of the following categories of plastic scrap:-

i. hospital waste of all kind
ii. used sewerage pipes

iii. used chemical containers

Regulate Import of Non - hazardous Plastic Scrap

61. In order to regulate import of plastic scrap move efficiently it is proposed that plastic scrap/waste, other than the categories proposed to be banned in proposal at para 60, may be allowed to be imported by the industrial consumers as raw material for their industry subject to the following conditions:-

i. Certification confirming appropriate manufacturing facility and determination of import quota from concerned Federal/Provincial Environmental Protection Agency.
ii. Inspection from technically qualified designated Pre-Shipment Inspection companies that the imported consignment does not contain any hazardous waste, as defined in the Basel Convention

Trade Facilitation

62. Currently export of vegetable and cooking oil upto 16KG packing is allowed.

63. In order to facilitate exporters and to encourage value addition, it is proposed to allow export of Vegetable Ghee & Cooking Oil in packaging of upto 25 KG.

Ensuring Quality & Standards

64. Existing Import Policy Order provides that import of goods shall be subject to same quality standards as prescribed for domestically produced goods.

65. It is therefore proposed that all domestic standards formulated by Pakistan Standard Quality Control Authority (PSQCA) may be made part of Import Policy to ensure that imported goods conform to notified domestic standards.

Ensuring Public Health

66. As per Import Policy Order, Crude Palm Oil is importable only by the recognized manufacturers for further processing and refining.

67. In order to check sale of inappropriately processed Palm oil, it is proposed that the condition of having valid License and Registration from PSQCA may be made mandatory for the manufacturers of Palm Oil.

Safeguarding National Security

68. The easy access to auto pilot kit is an extremely dangerous situation as it could afford an opportunity to the terrorists to intrude any sensitive location with precision using remotely piloted aerial vehicle. Availability of detailed instructions on internet regarding procurement, assembly and use of such kits indicate the possibility of its likely use in the terrorist activities.

69. In order to regulate import of Auto Pilot Kits and to avoid its misuse, it is proposed to restrict its import and may be allowed only to authorized agencies/ departments, subject to NOC from Ministry of Defense.

Checking Import of Stolen Goods

70. At present, there is no provision in the Import Policy Order to check import of stolen goods. In order to ensure that no bad name is associated with Pakistan, it is proposed that goods stolen abroad may be banned for import. If any agency of the respective foreign country claims, it should be seized and exported at the cost of importer/shipping company or the claimant agency. If no claim is filed, within 3 months of its landing, the same should be confiscated.

Complying with International Conventions

71. At present, CFC gas based refrigerators, deep-freezers and other refrigerating cooling; chilling equipment and CFC based compressors of this equipment are already banned for import.

72. To comply with the Montreal Protocol Agreement, it is proposed to also impose ban on import of CFC based air conditioning equipment.

Putting Age Restriction on Sprinklers Lorries

73. At present, import of Spraying Lorries or Sprinklers is allowed irrespective of age limit in second hand/used condition subject to certification by a recognized pre-shipment company to the effect that said lorries (a) compliant with Euro-II standards (b) in accordance with original manufacturers specifications and (c) has a useful productive life.

74. To check import of ordinary lorries under the garb of sprinkle lorries, it is proposed to restrict import of sprinkle lorries in second hand/used condition upto maximum of five years old. The other conditions as above will continue to apply.

Facilitating Pakistani Construction Companies Working Abroad

75. As per current Export Policy Order, the temporary export and re-import of locally manufactured or imported machinery or equipment for the purpose of carrying out works awarded to local construction, engineering and electrical companies shall be allowed, on the submission of an undertaking, along with evidence of contract, that the machinery shall be imported back upon conclusion of the contract.

76. In order to facilitate ease of doing business and to save freight cost in bringing the machinery used abroad back into Pakistan and then take it again out of the country, it is proposed that local construction, engineering and electrical companies may be allowed to retain abroad the exported machinery to carry out work on export cum import basis, for using the same machinery in some other project, subject to submission of a fresh indemnity bond to the concerned customs authority and issuance of NOC from the State Bank of Pakistan.

Registration as Edible Product Exporter

77. System of registration as importer and exporter with the former Export Promotion Bureau (now TDAP) had been dispensed w.e.f. August, 2002 as a part of government de-regulation.

78. With the sole objective of monitoring the possibility of abuse such as drug trafficking and for record purpose, it is proposed that all exporters of food products such as fresh fruits and vegetables, rice etc. should be registered with their respective associations and in case of non-existence of such an association, mandatory registration of such exporters be made with TDAP.

Import of Accessories for Leather Garments Industry

79. To improve the quality of the leather garments, it is proposed to allow 2% of the export proceeds to manufacturers cum exporters for duty free import of accessories, to encourage value addition of leather garments and made ups by the same exporter.

d. Payment of Outstanding EDF dues and streamlining EDF releases in future

80. In pursuance of the inter-Ministerial meetings at Secretary Level, Ministry of Commerce and Ministry of Finance have now reconciled EDF releases for the last few years. It is proposed that Ministry of Finance may now be directed to release outstanding EDF payments in favour of Ministry of Commerce amounting to Rs. 15 Billion (2005-06 to 2011-12).

81. In addition to the above, it is also proposed that in future, a mechanism is devised to ensure that Export Development Surcharge is transferred directly to the Ministry of Commerce by making appropriate amendments in the existing arrangement.

82. Strategic Trade Policy Framework 2012-15 as noted in **paras 8 to 10 above** and Trade Policy Initiatives proposed vide **paras 11 to 79** and proposal at **para 80 & 81** may please be approved.

83. Approval of the Cabinet to proposal at **para 82** is solicited.

84. The Senior Minister for Commerce has authorized the submission of the summary to the Cabinet.

(MUNIR QURESHI)
Secretary Commerce

Islamabad the 4th January, 2013

Comparative Exports of Selected Commodities during 2009 -- 2012

Value in million US$

Sl. No.	Commodity	2009-10	2010-11	2011-12
A.	**Food Group**	**3,283.7**	**4509.2**	**4250.0**
1	Rice	2183.9	2160.3	2062.0
	i) Basmati	855.8	962.7	826.4
	ii) Others	1328.0	1197.6	1235.7
2	Fish & fish preparations	226.9	296.2	320.0
3	Fruits	239.4	292.4	358.3
4	Vegetables	120.6	268.2	180.2
5	Leguminous vegetables	0.03	1.8	9.4
6	Tobacco	14.3	26.9	29.2
7	Wheat	0.7	586.6	127.1
8	Spices	40.9	50.4	52.0
9	Oil seeds,nuts and kernals	19.2	19.4	30.0
10	Sugar	0.0	0	28.0
11	Meat and meat preparations	99.3	153.1	173.6
12	All other food items	338.5	653.9	880.1
B.	**Textile Group**	**10,221.4**	**13788.2**	**12336.1**
13	Raw Cotton	196.6	364.8	462.2
14	Cotton Yarn	1,433.1	2,201.4	1,809.8
15	Cotton cloth	1,800.1	2,623.2	2,442.5
16	Cotton carded or combed	20.4	33.2	11.6
17	Yarn other than cotton yarn	35.7	47.6	35.6
18	Knitwear	1,765.0	2,305.6	1,982.8
19	Bedwear	1,744.3	2,088.9	1,741.7
20	Towels	668.2	762.3	686.4
21	Tents, canvas & Tarpaulin	61.5	47.0	92.1
22	Readymade garments	1,269.3	1,773.7	1,615.6
23	Art silk & synthetic textile	445.8	607.8	546.3
24	Madeup articles (Include.other tex.)	537.2	625.0	591.5
25	Other textile materials	245.2	307.7	318.0
C.	**Petroleum Group & Coal**	**1,033.7**	**1352.5**	**903.1**
26	Petroleum crude	0.0	0.0	-
27	Petroleum products (Excl.Top Naphta)	618.6	902.4	300.3
28	Petroleum top naphta	414.8	449.9	602.4
29	Solid fuels (coal)	0.3	0.20	0.40
D.	**Other manufactures Group**	**3,786.8**	**4041.6**	**4863.6**
30	Carpets rugs & mats	136.9	132.4	120.8
31	Sports goods	298.2	330.0	338.0
	i) Footballs	151.5	143.4	153.5
	ii) Gloves	98.2	123.7	112.3
	iii) Others sports goods	48.5	62.9	72.2
32	Leather tanned	341.8	465.0	445.6
33	Leather manufactures	458.6	540.6	522.8
	i) Leather garments	342.7	404.3	341.0
	ii) Leather gloves	101.9	120.3	165.9
	iii) Other Leather manufactures	14.1	16.1	15.9
34	Footwears	92.8	109.3	99.2
	i) Leather footwear	67.1	80.9	80.0
	ii) Canvas footwear	0.6	1.10	0.60
	iii) Other footwear	25.1	27.2	18.6

Sl. No.	Commodity	2009-10	2010-11	2011-12
35	Surgical goods/medical instruments	229.2	260.6	303.9
36	Cutlery	65.4	85.5	81.4
37	Onyx manufactured	7.0	9.3	8.7
38	**Chemicals & pharmaceutical products**	**711.2**	**923.1**	**1075.3**
	i) Fertilizer manufactured	0.7	0.10	0.040
	ii) Plastic materials	270.1	406.0	457.1
	iii) Pharmaceutical products	137.0	149.0	158.2
	iv) Other chemicals	303.4	368.0	459.9
39	**Engineering Goods**	**230.2**	**256.0**	**276.7**
	i) Electric fans	34.3	38.0	33.2
	ii) Transport equipment	29.1	22.6	32.9
	iii) Other electric machinery	43.0	50.2	53.7
	iv) Machinery specialized for particular industries	43.0	47.9	40.5
	v) Auto parts	13.3	21.0	27.8
	vi) Other machinery	67.4	76.3	88.7
40	Gems	3.7	3.8	4.0
41	Jewellary	638.0	403.0	916.4
42	Furniture	7.7	6.6	6.5
43	Molasses	49.9	10.4	6.4
44	Handicrafts	5.7	1.9	0.2
45	Cement	484.0	457.4	498.8
46	Guar & guar products	26.5	46.7	158.7
	Others	**964.5**	**1118.9**	**1271.5**
	TOTAL:	**19290.0**	**24810.4**	**23,624.3**

Source: PBS

Annex: II

COMPARATIVE IMPORTS OF SELECTED COMMODITIES DURING 2009 -- 2012

Value in million US$

SN.	Commodity	2009-10	2010-11	2011-12
	Food Group	**3575.4**	**5078.5**	**5035.2**
1	Milk Cream Incl milk food for infants	89.0	165.8	161.2
2	Wheat unmilled	40.8	10.7	0.0
3	Dry Fruit	87.2	88.2	90.7
4	Tea	270.8	334.1	350.8
5	Spices	80.7	104.0	101.0
6	Soyabean oil	27.7	66.9	51.4
7	Palm oil	1310.1	2020.7	2,374.8
8	Sugar	295.0	684.6	13.4
9	Pulses	262.1	403.1	433.9
10	All other food items	1112.0	1200.4	1,458.0
	Machinery Group	**5363.6**	**5275.0**	**5635.6**
11	Power Generating Machinery	1436.3	1038.3	1039.7
12	Office Machinery(Inc.data processing equip.)	224.3	239.4	282.4
13	Textile Machinery	297.4	456.7	444.5
14	Construction & mining machinery	163.5	115.6	148.0
15	Electrical machinery & apparatus	671.0	793.4	812.4
16	Telecom	759.5	1023.5	1268.1
	i) Mobile phone	314.8	522.8	688.2
	ii) Other Apparatus	444.7	500.7	579.9
17	Agricultural machinery & implements	196.7	98.8	125.6
18	Other machinery	1614.9	1509.3	1514.9
	Transport Group	**2027.9**	**2245.9**	**2228.9**
19	Road motor veh. (Build unit, CKD/SKD)	1207.0	1370.9	1656.4
20	Aircraft, ships & boats	777.4	870.0	519.7
21	Others transport equipments	43.5	5.0	52.8
	Petroleum Group	**10028.9**	**12085.5**	**15252.6**
22	Petroleum products	6,856.6	7,277.3	10,292.2
23	Petroleum crude	3172.3	4808.2	4960.4
	Textile Group	**1849.4**	**2883.1**	**2398.2**
24	Raw cotton	604.7	979.9	490.3
25	Synthetic Fibre	376.5	546.6	510.8
26	Synthetic & artificial silk yarn	373.0	542.8	594.8
27	Worn clothing	94.4	128.7	147.9
28	Other textile items	400.8	685.1	654.4
	Chemical Group	**5864.2**	**6178.8**	**7143.4**
29	Fertilizer manufactured	951.1	537.6	1243.9
30	Insecticides	160.9	154.2	137.5
31	Plastic material	1219.3	1511.5	1529.1
32	Medicinal products	717.1	688.7	696.9
33	Others	2815.8	3286.8	3536.0
	Metal group	**2604.8**	**2573.8**	**2824.3**
34	Gold	138.7	109.7	171.7
35	Iron & steel Scrap	509.5	517.8	548.1

SN.	Commodity	2009-10	2010-11	2011-12
36	Iron & steel	1295.8	1203.9	1396.0
37	Aluminium wrought & worked	142.5	140.7	125.2
38	All other metals & articals	518.3	601.7	583.3
	Miscellaneous group	**672.1**	**944.7**	**934.8**
39	Rubber crude incld. Synth/reclaimed	147.3	201.4	189.4
40	Rubber tyers & tubes	135.2	201.5	229.8
41	Wood & cork	51.7	60.9	64.4
42	Jute	63.6	71.5	51.9
43	Paper & paper Board	274.3	409.4	399.3
44	**Other items**	**2723.7**	**3148.4**	**3458.9**
	Total	**34710.0**	**40413.7**	**44911.9**

Source: PBS